

AMENDED IN ASSEMBLY MAY 6, 2009

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

**No. 325**

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**Introduced by Assembly Member Beall**

February 18, 2009

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An act to add Section 12092 to the Government Code, relating to community service programs.

### LEGISLATIVE COUNSEL'S DIGEST

AB 325, as amended, Beall. Federal Earned Income Tax Credit: community outreach.

Existing law requires each county to provide cash assistance and other social services to needy families through the California Work Opportunity and Responsibility to Kids (CalWORKs) program, using the federal Temporary Assistance to Needy Families (TANF) program, state, and county funds.

Existing law declares the intent of the Legislature to maximize the ability of CalWORKs recipients to benefit from the federal Earned Income Tax Credit (EITC), and to educate and empower recipients to save or invest all or part of their credits in specified instruments.

Existing law establishes the Department of Community Services and Development, which has prescribed duties relating to the administration and coordination of certain antipoverty programs.

This bill would designate the department as the lead agency responsible for implementing federal Earned Income Tax Credit (EITC) outreach programs, *with specified exceptions*. This bill would require the department to coordinate its federal EITC outreach efforts with

prescribed entities, as specified, to increase the number of eligible persons in this state who apply for and receive the federal EITC.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. This act shall be known, and may be cited, as the~~  
2     ~~Needy Family Economic Stimulus Act of 2009.~~

3     ~~SEC. 2.~~

4     ~~SECTION 1.~~ The Legislature finds and declares all of the  
5     following:

6     (a) Republican President Gerald Ford enacted the Earned Income  
7     Tax Credit (EITC) in 1975, in part to offset the burden of social  
8     security taxes and to provide an incentive to work. The benefits  
9     are 100 percent federally funded, and the average benefit among  
10    families with children is ~~\$2,100~~ *two thousand one hundred dollars*  
11    ~~(\$2,100)~~. The maximum credit is ~~\$4,824~~ *five thousand twenty-eight*  
12    ~~dollars (\$5,028)~~.

13    (b) According to the Internal Revenue Service, California left  
14    70 percent, or \$10 billion, of unclaimed EITC money “on the table”  
15    in 2004, the last year that this data was collected.

16    (c) The EITC produces substantial increases in employment  
17    and reductions in welfare receipt among single parents. The EITC’s  
18    success led 22 states to enact their own state EITC. The United  
19    Kingdom has introduced an EITC that resulted in substantially  
20    decreasing child poverty.

21    (d) California’s Legislative Analyst’s Office states that, like  
22    food stamps, the EITC has a multiplier effect of between \$1.50  
23    and \$2.00 and will produce sales and use tax revenues to the state.  
24    In fact, once the application is received, benefits can start  
25    immediately through a paycheck or a refund, if the applicant owes  
26    fewer taxes. A refund check arrives within 10 days.

27    (e) Through the Volunteer Income Tax Assistance (VITA) sites,  
28    free tax assistance is available to help people apply for EITC  
29    through the county welfare departments and nonprofit  
30    organizations.

31    (f) According to the National Bureau of Economic Research,  
32    ~~the United States is in a recession that started in December 2008.~~  
33    *the United States’ recession started in December 2007.*

(g) Many states are experiencing budget deficits as income, property, and sales taxes plummet. California's budget deficit is an unprecedented—~~\$40 billion~~ *forty billion dollars* (\$40,000,000,000) the 2009–10 fiscal year. As of January 2009, California has an unemployment rate of ~~10.1~~ *11.4* percent. As California's revenues plummet, the countercyclical nature of the state's safety net needs increases, creating a tension between funding needs and abilities.

(h) California's safety net for vulnerable seniors, persons with disabilities, families, and children has never been more compromised. The state's fiscal challenges are forcing counties to face their own dramatic budget deficits, forcing them to take deleterious measures such as cutting over-match funds, reducing services, eliminating contracts, eliminating positions held vacant due to lack of funding, and, in a growing number of counties, laying off staff and instituting work furloughs that range from a few days to weeks. Hundreds of staff, and the many direct client services that they support, will be lost in the programs that counties administer.

(i) It is widely reported that food banks are experiencing a decline in private donations and have nearly exhausted their federal Emergency Food Assistance Program funding. Food prices have increased by 5.9 percent. According to Feeding America, the demand for food bank services has increased by 30 percent.

(j) The nation's traditional hunger program, the Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program, has seen a 33 percent increase in food stamp applications in California between September 2007 and September 2008.

(k) California's welfare-to-work program, the California Work *Opportunity* and Responsibility to Kids (CalWORKs) program has seen a 22 percent increase in applications, while program funding for counties has been cut. These funding cuts are causing significant reductions in the supportive services, such as domestic violence services, transportation, housing assistance, and remedial education, that are necessary for clients to secure and maintain employment and achieve lasting self-sufficiency.

(l) Chapter 622 of the Statutes of 2007 delineated many legislative intentions in regard to maximizing the ability of CalWORKs recipients to benefit from the EITC, including, among others, educating and empowering CalWORKs recipients to apply

1 for and receive the EITC, and saving or investing that credit.  
2 Additionally, a provision of Chapter 622 required the State  
3 Department of Social Services to deliver a report to the Legislature  
4 by December 1, 2008, regarding the development of guidelines  
5 that counties may adopt to carry out the Legislature's declared  
6 intentions and the presentation of options to the Governor and the  
7 Legislature for any legislation necessary to further carry out the  
8 declared intentions of the Legislature.

9 ~~SEC. 3.~~

10 *SEC. 2.* Section 12092 is added to the Government Code, to  
11 read:

12 12092. (a) Based on its role as the lead agency responsible for  
13 administering other federal programs that aid low-income persons,  
14 the department shall be the lead agency responsible for  
15 administering federal Earned Income Tax Credit (EITC) programs  
16 in this ~~state~~ *state, except for EITC outreach and enrollment efforts*  
17 *that are administered by the California Work Opportunity and*  
18 *Responsibility to Kids (CalWORKs) program under the oversight*  
19 *of the State Department of Social Services.*

20 (b) Pursuant to subdivision (a), the department shall be  
21 responsible for efforts designed to increase the number of eligible  
22 persons in this state who apply for and receive the federal EITC.

23 (c) The department, upon appropriation by the Legislature of  
24 nonfederal General Fund moneys for purposes of EITC outreach  
25 programs, shall do the following:

26 (1) Coordinate with the department's statewide network of  
27 community-based organizations to increase educational and  
28 outreach programs for residents ~~that~~ *who* are eligible for the federal  
29 EITC.

30 (2) Coordinate with the department's statewide network of  
31 community-based organizations to support the development and  
32 expansion of Volunteer Income Tax Assistance (VITA) sites.

33 (3) Assist nonprofit organizations *that are not in the*  
34 *department's statewide network of eligible entities* to expand their  
35 federal EITC outreach and access efforts ~~by using the competitive~~  
36 ~~grant process.~~

37 (4) Coordinate with other state departments that also provide  
38 services to low-income persons, including, but not limited to, the

- 1 State Department of Social Services, to increase participation in
- 2 the federal EITC by eligible persons in this state.

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